



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MENIFEE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

MENIFEE COUNTY FISCAL COURT HERSHELL SEXTON, COUNTY JUDGE/EXECUTIVE FISCAL YEAR ENDED JUNE 30, 1999

Menifee County has several cash flow and cash management problems. During the 1999 fiscal year, the County had overdraft charges in their bank accounts in excess of \$15,000. The majority of the bank charges occurred in the payroll account. At one point, the payroll account was overdrawn \$69,686. The bank "covered" the County's overdrafts even though the account balance fell to a negative \$69,686.

COMMENTS:

- Expenditures Should Not Exceed The Budgeted Amount
- County Funds Should Not Have Deficit Balances
- The County Treasurer's Annual Statement Should Be Presented To The Fiscal Court
- The County Should Maintain Adequate Documentation For Expenditures And Present All Claims To The Fiscal Court For Review
- The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts
- The County Should Have A Written Agreement To Protect Their Deposits
- The County Had A Lack Of Segregation Of Duties
- The County Should Record All Receipts
- The County Treasurer Should Breakdown The Miscellaneous Account In The Future
- The County Should Maintain Adequate Documentation For Payroll
- The County Judge Should Receive The Statutory Maximum
- The County Should Practice Better Cash Management.

Fiscal Court Financial Condition

The County had deficit balances in the Jail Fund, LGEA Fund, and payroll revolving accounts of \$6,975, \$643, and \$22,706. The General Fund has a cash balance of \$7,279 and the Road Fund had a cash balance of \$93,603. The County needs to keep additional cash reserves.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Hershell Sexton, Menifee County Judge/Executive

Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Menifee County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Menifee County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Menifee County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Menifee County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Hershell Sexton, County Judge/Executive
Members of the Menifee County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Menifee County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- County Funds Should Not Have Deficit Fund Balances
- The County Should Practice Better Cash Management
- Expenditures Should Not Exceed The Budgeted Amounts
- The County Should Maintain Adequate Documentation For Expenditures And Present All Claims To The Fiscal Court For Review
- The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts
- The County Should Have A Written Agreement To Protect Deposits
- The County Should Record All Receipts
- The County Should Maintain Adequate Payroll Files
- The County Judge Should Receive The Statutory Maximum Salary
- The County Lacked An Adequate Segregation of Accounting Duties

In accordance with Government Auditing Standards, we have also issued our report dated April 11, 2000, on our consideration of Menifee County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 11, 2000

MENIFEE COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

| | |
|-----------------|----------------------------------|
| Hershell Sexton | County Judge/Executive |
| John Nefzger | County Attorney |
| Jo Ann Curtis | County Clerk |
| Karen Wells | Circuit Court Clerk |
| Rodney Coffey | Sheriff |
| Ruby Morrison | Jailer |
| Jim Lawson | Property Valuation Administrator |
| Vicky Swartz | County Treasurer |
| Mike Perry | Coroner |
| Ricky Bair | Magistrate |
| Adron Carty | Magistrate |
| Bill Ledford | Magistrate |
| Glenn Mullins | Magistrate |
| Gary Shrout | Magistrate |

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MENIFEE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets

| | |
|---|--------------------------|
| General Fund - Cash | \$ 7,279 |
| Road and Bridge Fund - Cash | 93,603 |
| 911 Emergency Fund - Cash | 1,978 |
| Fire Protection Fund - Cash | 1,388 |
| Parks and Recreation Fund - Cash | 592 |
| Voted Health Center Bond Fund (Note 4): | |
| Moneys in the Hands of- | |
| State Local Finance Officer | <u>16,101</u> |
| Total Assets | <u><u>\$ 120,941</u></u> |

Liabilities and Fund Balances

Liabilities

| | |
|--|----------|
| Jail Fund - Cash Deficit | \$ 6,975 |
| Local Government Economic Assistance Fund - Cash Deficit | 643 |
| Payroll Revolving Fund - Cash Deficit | 22,706 |
| Voted Health Center Bond Fund: | |
| Bonds Matured and Unpresented (Note 4) | 15,000 |
| Interest Matured and Unpresented | 1,101 |

Fund Balances

| | |
|---|--------------------------|
| Reserved: | |
| 911 Emergency Fund | \$ 1,978 |
| Fire Protection Fund | 1,388 |
| Parks and Recreation Fund | 592 |
| Unreserved: | |
| General Fund | 7,279 |
| Road Fund | 93,603 |
| Jail Fund | (6,975) |
| Local Government Economic Assistance Fund | (643) |
| Payroll Revolving Fund | <u>(22,706)</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 120,941</u></u> |

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MENIFEE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|---|--------------------------------|------------------------|----------------------------|--------------------------|
| <u>Cash Receipts</u> | | | | |
| Schedule of Operating Revenue | \$ 1,616,127 | \$ 723,436 | \$ 718,179 | \$ 28,411 |
| Transfers In | 425,049 | 65,830 | 270,267 | 65,874 |
| Total Cash Receipts | <u>\$ 2,041,176</u> | <u>\$ 789,266</u> | <u>\$ 988,446</u> | <u>\$ 94,285</u> |
| <u>Cash Disbursements</u> | | | | |
| Comparative Schedule of Final Budget and Budgeted Expenditures | \$ 1,534,730 | \$ 423,032 | \$ 863,997 | \$ 102,178 |
| Transfers Out | 425,049 | 359,219 | 36,799 | |
| Total Cash Disbursements | <u>\$ 1,959,779</u> | <u>\$ 782,251</u> | <u>\$ 900,796</u> | <u>\$ 102,178</u> |
| Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements | \$ 81,397 | \$ 7,015 | \$ 87,650 | \$ (7,893) |
| Cash Balance - July 1, 1998 | <u>31,926</u> | <u>264</u> | <u>5,953</u> | <u>918</u> |
| Cash Balance - June 30, 1999 | <u><u>\$ 113,323</u></u> | <u><u>\$ 7,279</u></u> | <u><u>\$ 93,603</u></u> | <u><u>\$ (6,975)</u></u> |

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1999
(Continued)

| Local Government Economic Assistance Fund | 911 Emergency Services Fund | Fire Protection Fund | Parks and Recreation Fund | Voted Health Center Bond Fund |
|---|--------------------------------------|----------------------------|---------------------------------|-------------------------------------|
| \$ 77,003 11,228 | \$ 59,112 4,700 | \$ 1,529 | \$ 8,457 7,150 | \$ |
| \$ 88,231 | \$ 63,812 | \$ 1,529 | \$ 15,607 | \$ 0 |
| \$ 59,858 29,031 | \$ 68,101 | \$ 1,406 | \$ 16,158 | \$ |
| \$ 88,889 | \$ 68,101 | \$ 1,406 | \$ 16,158 | \$ 0 |
| \$ (658) 15 | \$ (4,289) 6,267 | \$ 123 1,265 | \$ (551) 1,143 | \$ 16,101 |
| \$ (643) | \$ 1,978 | \$ 1,388 | \$ 592 | \$ 16,101 |

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Menifee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Menifee County Building Commission as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Menifee County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered to be a related organization of Menifee County Fiscal Court: Menifee County Sanitation District #1.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

MENIFEE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1999
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the county securing the county's interest in the collateral.

Note 4. Voted Health Center Bond Fund

The county issued \$100,000 of 6.1%, 6.2%, and 6.3% Voted General Obligation unlimited tax health center bonds dated March 1, 1974, with interest payable semiannually on March 1 and September 1. The issue is completely retired.

The moneys in the hands of the State Local Finance Officer consist of matured and unrepresented bonds and interest coupons as follows. According to the State and Local Finance Officer, there are no bank statements available, and we were unable to determine if these funds actually exist.

| | |
|------------------------------------|-------------------------|
| For paying bonds #16-18 | \$ 15,000 |
| For paying interest coupons #16-18 | <u>1,101</u> |
| Total | <u><u>\$ 16,101</u></u> |

Note 5. Insurance

For the fiscal year ended June 30, 1999, Menifee County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Contingent Liability

Ohio Casualty Company has contacted Menifee County Fiscal Court concerning a claim against Menifee County for \$250,617, relating to payment of insurance premium taxes assessed to Ohio Casualty Company by Menifee County. The county maintains the tax was paid by Ohio Casualty Company voluntarily and with notice and therefore the claim is invalid.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MENIFEE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

| <u>Budgeted Funds</u> | Budgeted Operating Revenue | Actual Operating Revenue | Over (Under) Budget |
|--|----------------------------------|--------------------------------|---------------------------|
| General Fund | \$ 444,673 | \$ 723,436 | \$ 278,763 |
| Road and Bridge Fund | 701,496 | 718,179 | 16,683 |
| Jail Fund | 77,302 | 28,411 | (48,891) |
| Local Government Economic Assistance Fund | 88,038 | 77,003 | (11,035) |
| 911 Emergency Fund | 68,085 | 59,112 | (8,973) |
| Fire Protection Fund | 1,499 | 1,529 | 30 |
| Parks and Recreation Fund | 19,383 | 8,457 | (10,926) |
| Federal Grant Fund | 539,693 | | (539,693) |
| State Grant Fund | 50,000 | | (50,000) |
| Totals | <u>\$ 1,990,169</u> | <u>\$ 1,616,127</u> | <u>\$ (374,042)</u> |
| <u>Reconciliation</u> | | | |
| Total Budgeted Operating Revenue Above | | | \$ 1,990,169 |
| Add: Prior Year Surplus Budgeted | | | <u>2,227</u> |
| Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures | | | <u>\$ 1,992,396</u> |

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SCHEDULE OF OPERATING REVENUE

MENIFEE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|--|--------------------------------|-----------------|----------------------------|-----------|
| <hr/> | | | | |
| Revenue From Local Taxes <u>and Excess Fees</u> | | | | |
| Sheriff: | | | | |
| Taxes | \$ 107,619 | \$ 106,090 | \$ | \$ |
| County Clerk: | | | | |
| Deed Transfer Tax | 10,446 | 10,446 | | |
| Occupational Licenses | 173 | 173 | | |
| Delinquent Taxes | 5,730 | 5,730 | | |
| Delinquent Taxes - State Treasurer | 7,540 | 7,540 | | |
| Bank Franchise | 2,484 | 2,484 | | |
| Excess Fees - 1998 | 21,000 | 21,000 | | |
| Tangible Personal Property Taxes: | | | | |
| Other Counties | 7,578 | 7,578 | | |
| County Clerk | 30,248 | 30,248 | | |
| Insurance Premium Tax | 398,352 | 398,352 | | |
| In Lieu of Taxes: | | | | |
| U.S. Treasurer | 24,669 | 24,669 | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Totals | \$ 615,839 | \$ 614,310 | \$ 0 | \$ 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <u>Federal Receipts - U.S. Treasurer</u> | | | | |
| COPS Grant | \$ 5,075 | \$ 5,075 | \$ | \$ |
| KLEFFP Grant | 5,773 | 5,773 | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Totals | \$ 10,848 | \$ 10,848 | \$ 0 | \$ 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | | | |
|---|-----------------------------|----------------------|---------------------------|
| Local Government Economic Assistance Fund | 911 Emergency Services Fund | Fire Protection Fund | Parks and Recreation Fund |
| \$ | \$ | \$ 1,529 | \$ |
| \$ 0 | \$ 0 | \$ 1,529 | \$ 0 |
| \$ | \$ | \$ | \$ |
| \$ 0 | \$ 0 | \$ 0 | \$ 0 |

MENIFEE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|------------------------------------|--------------------------------|------------------|----------------------------|------------------|
| <u>Kentucky State Treasurer</u> | | | | |
| Jail: | | | | |
| Allotments | \$ 24,000 | \$ | \$ | \$ 24,000 |
| Medical Allotments | 1,611 | | | 1,611 |
| Driving Under The Influence Fees | 923 | | | 923 |
| Circuit Clerk | 1,497 | | | 1,497 |
| County Road Aid | 398,728 | | 398,728 | |
| Public Defender Allotment | 9,601 | 9,601 | | |
| Truck License Distribution | 161,449 | | 161,449 | |
| National Forest | 26,750 | | 26,750 | |
| Courthouse Rental - Administrative | | | | |
| Office of the Courts | 12,784 | 12,784 | | |
| Refunds: | | | | |
| Legal Process Tax | 45 | 45 | | |
| Severance Taxes: | | | | |
| Coal | 25,542 | | | |
| Mineral | 51,461 | | | |
| Board of Assessments | 200 | 200 | | |
| Grants: | | | | |
| Disaster and Emergency Services | | | | |
| Reimbursement | 900 | 900 | | |
| Totals | <u>\$ 715,491</u> | <u>\$ 23,530</u> | <u>\$ 586,927</u> | <u>\$ 28,031</u> |

MENIFEE COUNTY
SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

| Local Government Economic Assistance Fund | 911 Emergency Services Fund | Fire Protection Fund | Parks and Recreation Fund |
|---|-----------------------------|----------------------|---------------------------|
| \$ | \$ | \$ | \$ |
| 25,542 | | | |
| 51,461 | | | |
| \$ 77,003 | \$ 0 | \$ 0 | \$ 0 |

MENIFEE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|--------------------------------|--------------------------------|-----------------|----------------------------|-----------|
| <u>Miscellaneous Revenue</u> | | | | |
| Interest | \$ 1,611 | \$ 1,611 | \$ | \$ |
| Swimming Pool and Park Revenue | 8,295 | | | |
| Rents and Leases: | | | | |
| Gateway Health Department | 6,000 | 6,000 | | |
| Gateway Regional Health | 29,820 | 29,820 | | |
| Provident Bank | 19,843 | 19,843 | | |
| Commonwealth of Kentucky | 5,040 | 5,040 | | |
| Soil Conservation Office | 2,100 | 2,100 | | |
| Reimbursements: | | | | |
| Telephone | 1,398 | 1,324 | 74 | |
| Election Expense | 2,802 | 2,802 | | |
| Road | 111,557 | | 111,557 | |
| Telephone 911 Fees | 59,112 | | | |
| Miscellaneous Items | 26,371 | 6,208 | 19,621 | 380 |
| Totals | \$ 273,949 | \$ 74,748 | \$ 131,252 | \$ 380 |
| Total Operating Revenue | \$ 1,616,127 | \$ 723,436 | \$ 718,179 | \$ 28,411 |

MENIFEE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

| Local Government Economic Assistance Fund | 911 Emergency Services Fund | Fire Protection Fund | Parks and Recreation Fund |
|---|--------------------------------------|----------------------------|---------------------------------|
| | | | |
| \$ | \$ | \$ | \$ |
| | | | 8,295 |
| | 59,112 | | 162 |
| \$ 0 | \$ 59,112 | \$ 0 | \$ 8,457 |
| \$ 77,003 | \$ 59,112 | \$ 1,529 | \$ 8,457 |

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MENIFEE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

| | <u>Final Budget</u> | <u>Budgeted Expenditures</u> | <u>Under (Over) Budget</u> |
|---|-------------------------|----------------------------------|------------------------------------|
| <u>GENERAL FUND</u> | | | |
| <u>General Government</u> | | | |
| Office of County Judge/Executive: | | | |
| Salaries- | | | |
| County Judge/Executive | \$ 19,076 | \$ 18,000 | \$ 1,076 |
| Secretaries | 3,227 | 3,003 | 224 |
| Office Materials and Supplies | 774 | 774 | |
| Office of County Attorney: | | | |
| Salaries- | | | |
| County Attorney | 4,152 | 4,152 | |
| Secretaries | 2,535 | 2,535 | |
| Office Materials and Supplies | 1,056 | 1,056 | |
| Office of County Clerk: | | | |
| Fees | 1,500 | | 1,500 |
| Office of Sheriff: | | | |
| Deputies Salaries | 33,504 | 33,504 | |
| Advertising Tax Bills | 2,235 | 1,109 | 1,126 |
| Materials and Supplies | 1,877 | 1,877 | |
| Deputies Expenses | 10,000 | 3,494 | 6,506 |
| Office Repairs | 5,500 | 3,818 | 1,682 |
| Sheriff's Tax Settlement | 1,550 | 1,550 | |
| Fiscal Court: | | | |
| Magistrates Salaries | 6,732 | 6,446 | 286 |
| Copy Machine | 3,995 | 2,336 | 1,659 |
| Membership Dues | 3,990 | 3,990 | |
| Telephone | 7,736 | 7,736 | |
| Office of Property Valuation Administrator: | | | |
| Statutory Contribution | 10,058 | 10,058 | |

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|--|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND</u> (Continued) | | | |
| <u>General Government</u> (Continued) | | | |
| Office of County Treasurer: | | | |
| County Treasurer Salary | \$ 6,898 | \$ 6,888 | \$ 10 |
| Printing and Advertising | 2,868 | 2,868 | |
| County Law Library: | | | |
| Law Librarian Salary | 1,200 | 1,200 | |
| Elections: | | | |
| Per Diem- | | | |
| Election Commissioners | 500 | 500 | |
| Election Officers | 4,088 | 4,088 | |
| Setting-Up Voting Places | 11,492 | 11,492 | |
| Courthouse: | | | |
| Renewals and Repairs | 10,000 | 922 | 9,078 |
| Utilities | 25,000 | 17,882 | 7,118 |
| Rentals | 8,500 | 8,400 | 100 |
| Supplies | 500 | 15 | 485 |
| <u>Protection to Person and Property</u> | | | |
| Disaster and Emergency Services: | | | |
| Director Salary | 1,800 | 1,800 | |
| Ambulance Service: | | | |
| Ambulance Support | 26,250 | 26,250 | |
| Office of Public Defender: | | | |
| Mandated Program Support | 13,865 | 13,865 | |
| Dog Warden | 5,000 | 5,000 | |
| <u>Capital Projects</u> | | | |
| Land | 42,000 | 42,000 | |

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|----------------------------------|-----------------|--------------------------|---------------------------|
| <u>GENERAL FUND</u> (Continued) | | | |
| <u>Contingent Appropriations</u> | | | |
| Reserve for Transfer | \$ 49,436 | \$ | \$ 49,436 |
| <u>Administration</u> | | | |
| General Services: | | | |
| Bank Charges | 250 | 226 | 24 |
| Insurance | 1,118 | 1,118 | |
| Auditing Services | 10,326 | 10,326 | |
| Miscellaneous | 64,988 | 64,988 | |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Social Security | 5,580 | 4,728 | 852 |
| Retirement | 4,380 | 3,422 | 958 |
| Medicare | 1,305 | 1,284 | 21 |
| Health Insurance | 16,292 | 16,292 | |
| Life Insurance | 874 | 874 | |
| Worker's Compensation | 1,960 | 1,960 | |
| Unemployment Insurance | 2,802 | 2,802 | |
| Hazardous Duty Retirement | 6,404 | 6,404 | |
| Additional Payroll Contribution | | 60,000 | (60,000) |
| Total General Fund | \$ 445,173 | \$ 423,032 | \$ 22,141 |

ROAD AND BRIDGE FUND

General Government

Office of County Judge/Executive

Salaries-

| | | | |
|------------------------|-----------|-----------|----|
| County Judge/Executive | \$ 29,899 | \$ 29,899 | \$ |
| Secretary | 8,096 | 8,096 | |
| Materials and Supplies | 873 | 873 | |

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>ROAD AND BRIDGE FUND</u> (Continued) | | | |
| <u>General Government</u> (Continued) | | | |
| Fiscal Court: | | | |
| Magistrates- | | | |
| Salaries | \$ 7,593 | \$ 6,685 | \$ 908 |
| Copier | 7,108 | 7,108 | |
| Dues | 1,855 | 1,545 | 310 |
| Office of County Treasurer: | | | |
| County Treasurer Salary | 10,787 | 10,787 | |
| Printing and Advertising | 795 | 241 | 554 |
| Office of County Attorney | | | |
| Salaries- | | | |
| County Attorney | 4,358 | 4,152 | 206 |
| Secretary | 2,730 | 2,730 | |
| Materials and Supplies | 336 | 223 | 113 |
| Road Maintenance: | | | |
| Salaries- | | | |
| Road Foreman | 18,997 | 18,997 | |
| Road Labor | 174,720 | 223,054 | (48,334) |
| Crushed Stone and Gravel | 130,000 | 161,386 | (31,386) |
| Gasoline | 35,000 | 60,559 | (25,559) |
| Machinery and Equipment | 24,914 | 43,169 | (18,255) |
| Machinery and Equipment Repairs | 15,584 | 13,684 | 1,900 |
| Materials and Supplies | 41,171 | 44,314 | (3,143) |
| Pipes | 8,609 | 5,668 | 2,941 |
| Contracts With Vehicle Owners | 11,060 | 11,160 | (100) |
| Telephone | 4,593 | 4,593 | |
| Utilities | 8,891 | 8,891 | |
| Miscellaneous | 21,535 | 52,191 | (30,656) |
| <u>Administration</u> | | | |
| General Services: | | | |
| Bank Charges | 2,056 | 2,110 | (54) |
| Property Liability Insurance | 22,607 | 21,941 | 666 |

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|-----------------|--------------------------|---------------------------|
| <u>ROAD AND BRIDGE FUND</u> (Continued) | | | |
| <u>Administration</u> (Continued) | | | |
| Payments to Government Agencies: | | | |
| Board of Education | \$ 13,375 | \$ 13,375 | \$ |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Retirement | 21,000 | 24,249 | (3,249) |
| Social Security | 16,225 | 17,498 | (1,273) |
| Medicare | 4,992 | 4,992 | |
| Life Insurance | 2,248 | 2,248 | |
| Health Insurance | 31,320 | 39,405 | (8,085) |
| Worker's Compensation | 11,470 | 11,318 | 152 |
| Unemployment Insurance | 7,198 | 6,856 | 342 |
| Total Road and Bridge Fund | \$ 701,995 | \$ 863,997 | \$ (162,002) |

JAIL FUND

Protection to Persons and Property

| | | | |
|-------------------------------|-----------|-----------|----------|
| Office of Jailer: | | | |
| Personnel Services- | | | |
| Salaries- | | | |
| Jailer | \$ 18,045 | \$ 18,093 | \$ (48) |
| Routine Medical | 2,000 | 749 | 1,251 |
| Transporting Prisoners to | | | |
| Other Counties | 2,412 | 2,793 | (381) |
| Housing Juveniles | 5,600 | 6,141 | (541) |
| Contracts With Other Counties | 35,000 | 59,237 | (24,237) |

Administration

| | | | |
|-------------------|-------|-------|-------|
| General Services: | | | |
| Association Dues | 200 | 115 | 85 |
| Miscellaneous | 7,338 | 7,950 | (612) |

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|-----------------------------------|-----------------|--------------------------|---------------------------|
| <u>JAIL FUND</u> (Continued) | | | |
| <u>Administration</u> (Continued) | | | |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Hazardous Duty Retirement | \$ 3,280 | \$ 3,402 | \$ (122) |
| Social Security | 1,020 | 1,041 | (21) |
| Medicare | 262 | 243 | 19 |
| Life Insurance | 145 | 118 | 27 |
| Health Insurance | 2,200 | 2,296 | (96) |
| Total Jail Fund | \$ 77,502 | \$ 102,178 | \$ (24,676) |

LOCAL GOVERNMENT ECONOMIC
ASSISTANCE FUND

General Government

Office of County Coroner:

| | | | |
|--------------------|----------|----------|----|
| Salaries - | | | |
| Coroner | \$ 3,600 | \$ 3,600 | \$ |
| Deputy Coroner | 1,200 | 1,200 | |
| Operating Expenses | 735 | 735 | |
| Miscellaneous | 140 | 140 | |

Roads

Road Maintenance:

| | | | |
|--------------------|--------|--------|--------|
| Landfill Contract | 46,836 | 42,566 | 4,270 |
| Garbage Collection | 26,658 | 6,387 | 20,271 |

Administration

Fringe Benefits:

| | | | |
|-----------------------|-------|-----|-------|
| County Contributions- | | | |
| Retirement | 2,650 | 715 | 1,935 |
| Social Security | 2,105 | 659 | 1,446 |
| Medicare | 495 | 158 | 337 |

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|--|------------------|--------------------------|---------------------------|
| LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued) | | | |
| <u>Administration (Continued)</u> | | | |
| Fringe Benefits: (Continued) | | | |
| Life Insurance | \$ 300 | \$ 182 | \$ 118 |
| Health Insurance | <u>4,320</u> | <u>3,516</u> | <u>804</u> |
| Total Local Government Economic Assistance Fund | <u>\$ 89,039</u> | <u>\$ 59,858</u> | <u>\$ 29,181</u> |
| <u>911 EMERGENCY FUND</u> | | | |
| <u>General Government</u> | | | |
| Dispatchers Salaries | \$ 45,730 | \$ 45,730 | \$ |
| Telephone | 918 | 918 | |
| Miscellaneous | 1,320 | 1,320 | |
| <u>Administration</u> | | | |
| Fringe Benefits: | | | |
| Retirement | 3,759 | 3,759 | |
| Social Security | 2,611 | 2,611 | |
| Medicare | 719 | 735 | (16) |
| Health Insurance | 12,355 | 12,355 | |
| Life Insurance | <u>673</u> | <u>673</u> | |
| Total 911 Emergency Fund | <u>\$ 68,085</u> | <u>\$ 68,101</u> | <u>\$ (16)</u> |
| <u>FIRE PROTECTION FUND</u> | | | |
| Kentucky State Treasurer - Forestry | <u>\$ 1,526</u> | <u>\$ 1,406</u> | <u>\$ 120</u> |

MENIFEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---------------------------------------|----------------------------|----------------------------|---------------------------|
| <u>PARKS AND RECREATION FUND</u> | | | |
| Park and Swimming Pool: | | | |
| Salaries | \$ 5,000 | \$ 4,111 | \$ 889 |
| Materials and Supplies | 5,651 | 5,651 | |
| Renewals and Repairs | 2,433 | 165 | 2,268 |
| Miscellaneous | 5,916 | 5,916 | |
| <u>Administration</u> | | | |
| Fringe Benefits: | | | |
| Social Security | 310 | 255 | 55 |
| Medicare | 73 | 60 | 13 |
| Total Parks and Recreation Fund | <u>\$ 19,383</u> | <u>\$ 16,158</u> | <u>\$ 3,225</u> |
| <u>FEDERAL GRANT FUND</u> | | | |
| <u>General Health and Sanitation</u> | | | |
| Health Programs: | | | |
| Wellness Center | \$ 50,000 | \$ | \$ 50,000 |
| <u>Capital Projects</u> | | | |
| Community Development Block Grant: | | | |
| Sewer Outlays | <u>489,693</u> | | <u>489,693</u> |
| Total Federal Grant Fund | <u>\$ 539,693</u> | <u>\$ 0</u> | <u>\$ 539,693</u> |
| <u>STATE GRANT FUND</u> | | | |
| <u>Recreation and Culture</u> | | | |
| Public Libraries: | | | |
| Program Support | <u>\$ 50,000</u> | <u>\$ 0</u> | <u>\$ 50,000</u> |
| TOTAL BUDGET - ALL FUNDS | <u><u>\$ 1,992,396</u></u> | <u><u>\$ 1,534,730</u></u> | <u><u>\$ 457,666</u></u> |

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Menifee County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated April 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Menifee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- County Funds Should Not Have Deficit Fund Balances
- The County Should Practice Better Cash Management
- Expenditures Should Not Exceed The Budgeted Amounts
- The County Should Maintain Adequate Documentation For Expenditures And Present All Claims To The Fiscal Court For Review
- The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts
- The County Should Have A Written Agreement To Protect Deposits
- The County Should Record All Receipts
- The County Should Maintain Adequate Payroll Files
- The County Judge Should Receive The Statutory Maximum Salary

Honorable Hershell Sexton, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menifee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Menifee County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- County Funds Should Not Have Deficit Fund Balances
- The County Should Practice Better Cash Management
- The County Lacked an Adequate Segregation of Accounting Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses:

- County Funds Should Not Have Deficit Fund Balances
- The County Should Practice Better Cash Management
- The County Lacked an Adequate Segregation of Accounting Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 11, 2000

COMMENTS AND RECOMMENDATIONS

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1999

NONCOMPLIANCES

1. Expenditures Should Not Exceed The Budgeted Amounts

Menifee County spending exceeded appropriated expenditures by \$162,022 in the Road and Bridge Fund, \$24,676 in the Jail Fund, and \$16 in the 911 Emergency Fund. KRS 68.300 states that any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation shall be void. No member of the fiscal court shall vote for such illegal appropriation or claim. We recommend the fiscal court comply with this statute in the future by making the appropriate budget amendments.

County Judge/Executive's Response:

We do intend to stay within the budgeted amounts.

County Treasurer's Response:

We send a financial statement to Department for Local Government monthly, and they will monitor this situation.

2. County Funds Should Not Have Deficit Fund Balances

At June 30, 1999, county funds had the following deficit fund balances:

| | |
|---|----------|
| Jail Fund | \$ 6,975 |
| Local Government Economic Assistance Fund | 643 |
| Payroll Revolving Account | 22,706 |

These fund deficits were caused by Menifee County Fiscal Court obligating more money than was collected during fiscal year ended June 30, 1999. KRS 68.110 states the fiscal court shall not in any year expend money in excess of the amount annually levied and collected for that year. We recommend the Menifee County Fiscal Court monitor their budget and cash flow to prevent future overspending.

County Judge/Executive's Response:

No Comment.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1999
(Continued)

3. The County Should Maintain Adequate Documentation For Expenditures And Present All Claims To The Fiscal Court For Review

During the course of the audit, it came to our attention that the County Judge/Executive does not maintain invoices for all expenditures and does not present claims to the Fiscal Court for review before payment. KRS 68.275 requires the County Judge/Executive to present claims to the Fiscal Court for review prior to payment. We recommend that the County Judge/Executive maintain adequate invoices for claims and present claims to the Fiscal Court before payment.

County Judge/Executive's Response:

I agree this should be done.

County Treasurer's Response:

This is being done correctly now.

4. The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts

Menifee County does not utilize interest-bearing accounts appropriately. The Road and Bridge Fund maintains a passbook savings account which is used occasionally. The use of interest-bearing accounts is a cash management practice that enables the county to obtain a greater benefit for its money. We recommend the county utilize interest-bearing accounts where possible.

County Judge/Executive's Response:

If the County goes to a one-account system, we will do this, and we will probably do this for accounts that are large enough.

5. The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of July 17, 1998, the county had bank deposits of \$280,590; FDIC insurance of \$100,000; and collateral pledged or provided of \$600,000. Even though the county obtained sufficient collateral of \$600,000, there was no written agreement between the county and the depository institution, signed by both parties, securing the county's interest in the collateral. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Treasurer's Response:

We will do this.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1999
(Continued)

6. The County Should Record All Receipts

The county received receipts from insurance premium tax in the amount of \$101,073 and interest earned of \$1,611, which was deposited into a separate checking account, titled Investment Fund. These receipts were not posted to any budgeted fund. This account should have been included in the General Fund and posted to the county's financial statement. KRS 68.020 states the County Treasurer should keep an accurate detailed account of all money received and disbursed for the county. We recommend the county comply with this statute in the future by including all receipts and disbursements on the county's financial statement.

County Judge/Executive's Response:

When this check came in, we felt the check was a mistake, so we put the money in a separate account.

7. The County Should Maintain Adequate Payroll Files

During the test of payroll, we noted that the county did not maintain timesheets for several employees or documentation for overtime worked. KRS 337.320 states that the employer shall keep the hours worked each day and each week by each employee. We recommend that the county and the County Treasurer comply with KRS 337.320 and maintain adequate timesheets and documentation for overtime worked.

County Treasurer's Response:

Timesheets are maintained, however, we could not locate them.

8. The County Judge Should Receive The Statutory Maximum Salary

During the test of payroll, we noted that the County Judge/Executive did not receive the statutory maximum salary for the calendar year 1998. In addition, the County Judge/Executive's salary was less than the County Clerk's salary. KRS 67.705 states that the County Judge/Executive receive annual compensation not less than any other county official in the county. We recommend the County Judge/Executive comply with KRS 67.705 and receive an additional \$823 for calendar year 1998 salary.

County Judge/Executive's Response:

We will comply.

MENIFEE COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1999
 (Continued)

9. The County Should Practice Better Cash Management

During fiscal year ended June 30, 1999, the payroll account was overdrawn by as much as \$69,686. In addition, the county paid \$15,710 in bank charges for overdrafts in several bank accounts. On May 20, 1999, the county deposited \$60,000 into the payroll account from the General Fund to reduce this negative balance. The county has incurred large amounts of bank charges relating to overdrawn accounts for the past three years. The bank has continually agreed to "cover" the county's overdrawn accounts; therefore, the county has not resolved the negative balance in the payroll account. We recommend the Fiscal Court monitor its cash flow to prevent excessive bank charges and overspending. We further recommend the county suspend all but essential expenditures until cash flow problems are successfully resolved. We will refer this issue to the Attorney General for further investigation.

County Judge/Executive's Response:

The Fiscal Court and I have addressed this problem, and think we have it under control.

County Treasurer's Response:

The payroll deficit has been resolved, and I am monitoring the cash balances daily.

10. The County Lacked An Adequate Segregation Of Accounting Duties

Meniffee County Fiscal Court lacked an adequate segregation of accounting duties. There is a limited staff size, which prevents an adequate division of accounting responsibilities. Furthermore, the County Treasurer has statutory authority to assume the role as custodian of assets, as well as recorder of transactions and preparer of financial statements. An adequate segregation of accounting duties is a judgement established by management and is affected by circumstances beyond management's control. Management has assessed costs associated with increasing these internal controls and has decided these costs outweigh the benefits of increased controls.

County Judge/Executive's Response:

This has been taken care of.

PRIOR YEAR FINDINGS

- Expenditures Should Not Exceed The Budgeted Amounts
- County Funds Should Not Have Deficit Fund Balances
- The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts
- The County Should Have A Written Agreement To Protect Deposits
- The County Should Record All Receipts
- The County Should Practice Better Cash Management
- The County Lacked An Adequate Segregation of Accounting Duties

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MENIFEE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MENIFEE COUNTY FISCAL COURT

The Menifee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer